



Slashing Inventory at Whirlpool Corporation

Major appliances play a part in the daily lives of millions of people throughout the world. The convenience that these appliances offers means that most consumers don't want to deal with a machine that doesn't work—most will quickly repair or replace a broken appliance.

And, even with an average life span of 10 to 15 years for most major appliances, consumers often choose to replace their dishwashers, refrigerators, and washers and dryers before they have reached the end of their lifecycles.

Consequently, the major appliance industry is driven by replacement demand, which accounts for the majority of all appliance purchases. Major appliance manufacturers must fine-tune their demand management systems in order to accurately project demand for both replacement and new appliances.

During an extensive review of Whirlpool Corporation's best practices, company executives realized the appliance manufacturer was lacking in its demand management process. Planners were using everything from spreadsheets to home-grown systems to determine demand.

"But none of those systems has the power to really manage the various inputs and the various customer constraints," said J.B. Hoyt, Whirlpool's Director of Global Logistics Integration.



Challenges

- Automate and integrate demand planning systems
- Develop demand planning processes that can manage various inputs and customer constraints
- Lower operating costs by reducing inventory

Solutions

- Improve visibility into the enterprise
- Perform constraint-based planning
- Track delivery of products

Results

- Reduced inventory by 50%
- Increased customer service by 10%
- Reduced expenses by more than \$15 million

Company Description

Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances with net sales of \$10.3 billion. Whirlpool's primary brand names—KitchenAid, Roper, Bauknecht, Ignis, Brastemp, Consul, and its global Whirlpool brand—are marketed in more than 170 countries worldwide.

“We’re seeing reductions in finished goods inventory and improvement in our ability to respond to customers. This has already led to a \$4.8 million reduction in standing inventory in Australia alone over just seven months. Our benefits in North America have been substantially greater—in the double-digit millions of dollars in inventory savings.”

*—J.B. Hoyt
Director of Global Logistics Integration*



Why i2?

Whirlpool management formed a global team to look at demand management and possible software providers. Following a thorough review, executives eventually chose i2 Demand Planner,[™] part of the i2 Supply Chain Management[™] suite of solutions.

“We chose Demand Planner because of its power and its ability to segment demand by customer, by geographic area,” Hoyt said. “We couldn’t do that in the past, and it was something other solution vendors couldn’t provide.”

i2 solutions enable consumer goods companies to simultaneously optimize and monitor inventory; reduce costs and risks through integrated sourcing, negotiation, and procurement; and improve customer service levels and reduce fulfillment costs through multi-division and multi-channel order management.

Additionally, consumer goods companies use i2 solutions to minimize transportation costs and increase service levels through integrated transportation procurement, planning, execution, and monitoring.

“The value that i2 has added to Whirlpool goes beyond tangibles like inventory reduction,” Hoyt said. “i2 has caused us to rethink our business processes and to recognize that there are big savings in the future beyond what we’ve seen today.”

i2’s Contribution

Whirlpool has implemented Demand Planner at its operations on three continents: North America, Australia, and Europe.

Demand Planner provided Whirlpool with precisely the flexibility it needed in forecasting. The software’s multidimensional database gave the company the ability to make forecasts at any level. With the stroke of a few keys, logisticians could calculate the overall needs in the market, determine how many repair parts for appliances to order, or prepare product forecasts for their major accounts.

“Demand Planner is not just helping us to forecast demand, but to manage the inputs we receive from specific customers,” Hoyt said. “Then we can build an aggregate forecast in a way that assures that we’re building the right product at the right time to meet all of our customers’ needs.”

i2 solutions also facilitate inter- and intra-enterprise collaboration within Whirlpool’s divisions and with its business partners.

Whirlpool’s Results

Whirlpool realized dramatic changes only a few months after implementing Demand Planner.

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These inventory changes were not lost on Whirlpool’s customers. The company’s business in Australia has doubled since the Demand Planner implementation.

At the same time, customer service improved by 10 percent and product availability improved from less than 60 percent to more than 70 percent.

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Whirlpool executives have also been impressed with i2's commitment to add \$75 billion in value to its customers by 2005.

"I kind of chuckled when I first heard of the goal," Hoyt said. "Now I think that target might be too low. The value that we're seeing and the potential value we see down the road suggest that i2 will exceed its commitment."



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